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From the Portland Business Journal:

<https://www.bizjournals.com/portland/news/2017/10/16/a-renaissance-is-underway-in-the-central-eastside.html>

Spotlight on: Central Eastside

## A renaissance is underway in the Central Eastside

As Cushman & Wakefield's Mark Carnese writes, deal flow is expected to continue as demand rises on the Central Eastside

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The Central Eastside is seeing significant activity as creative and tech firms look for alternatives to the Pearl District and the Central Business District.

Long-characterized as an industrial hub largely composed of manufacturing, warehousing and distribution buildings, this submarket — similar to the Pearl District 20 years ago — is in the midst of a renaissance fueled by the in-migration of office users (local and out-of-state) including creative, software, tech, engineering, design and other firms attracted to Central Eastside for its edgy, creative and urban vibe.

This evolution has led to an increase in the redevelopment and adaptive re-use of older industrial buildings — some even viewed as functionally obsolete/dysfunctional for modern industrial use. However, with the right capital investment and vision, these properties are being transformed from low density employment into open office space.

Similarly, this trend can be found in the outer rings of many major CBDs/markets across the globe, including tech hubs such as San Francisco. While this trend has mostly drawn small to mid-size users to the Central Eastside, we are also seeing larger companies begin to explore options in the area, including Autodesk's lease of 108,750 square feet at the Towne Storage building and Simple's lease of 62,000 square feet in Killian's initial building on Southeast Third Avenue and an additional 50,000 square feet in the adjacent building in the last two years.

Larger projects that can house these mid- to larger-sized firms are new to the area and did not exist even a few years ago. The Custom Blocks project is a two-block, 70,000-square-foot development that will be completed by the end of the year in addition to a few other larger proposed projects.

Two developers, Beam Development and Harsch Investment Properties, have both announced plans for new construction multi-story office buildings given the submarket's low, 8.7 percent vacancy rate. However, some key new development sites are in planning stages, including OMSI's 16-acre riverfront property as well as a



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Mark Carnese is executive director at Cushman & Wakefield.

4-acre site that ODOT and Prosper Portland are actively marketing to potential developers. Rates for prime spaces on the eastside rival those of the CBD and Pearl District and are pushing north of \$30 per square foot triple-net.

Amenities, namely walkable amenities, are also a major draw for companies and their employees in site selection. The Central Eastside — already known for its distilleries — has quickly become a hot spot for new restaurant concepts, breweries, wine bars and premium coffee roasters. As the competition between companies for top talent intensifies, the well-served Central Eastside will provide the authentic Portland lifestyle many employees want.

In short, we anticipate a continued rise in the volume of deals in the Central Eastside as more and more companies seek the authentic redevelopment opportunities that we are seeing in the area. The creative services industries still have challenges locating and retaining qualified labor, but having a creative office environment is one way of attracting these critical employees.

**Jon Bell**

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